

# Healthy Wisconsin

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A Program to Lower Costs and  
Increase Access to Insurance  
for Businesses and Families



# Governor Doyle's Health Care Vision

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- ❑ Every WI resident has a right to health care access.
- ❑ State Government must do what it can to ensure that residents have access to high quality, affordable health care.
- ❑ The rising cost of health care is bad for the Wisconsin economy. State government must work with the private sector and other stakeholders to find ways to control costs.
- ❑ No child should ever be without health insurance.



# Governor Doyle's Health Care Agenda

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1. Badger Care Plus – Health Insurance for all Children
2. Healthy Wisconsin – Reinsurance for Catastrophic Care
3. Family Care Statewide – Allowing Seniors to Remain in their Homes
4. Access to Affordable Prescription Drugs
  - Protect SeniorCare
  - Canadian Drug Website
  - Badger Rx



# Governor Doyle's Health Care Agenda

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6. Increases Tax Deduction for Health Insurance Premiums for workers whose employer does not contribute to the cost of health insurance.
7. Creates a Tax Deduction for Health Insurance Premiums for individuals with no employer and are not self-employed.
8. E-Health Board – Information on Quality and Cost in Health Care, Reduce Medical Errors.
9. Permit the development of health care “co-ops” for farmers and small businesses.



# Vision for Healthy Wisconsin

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- ❑ Reduce health insurance premiums by creating a statewide reinsurance program.
- ❑ Increase the number of Wisconsin residents who have health insurance coverage.
- ❑ Leverage federal support to further reduce health insurance premiums.
- ❑ Provide catastrophic care insurance to protect businesses and families from bankruptcy due to extreme medical costs.



# Goals for Healthy Wisconsin

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- ❑ Reduce the cost of health insurance premiums by 30% for individuals and small businesses.
- ❑ Reduce the uninsured rate in Wisconsin by 50%.
- ❑ Increase the number of businesses that offer their employees affordable, comprehensive health insurance.



# What is Reinsurance?

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- ❑ “Insurance for Insurance Companies”
- ❑ Reinsurance compensates businesses, individuals, managed care organizations and insurance companies for high cost or catastrophic claims.
- ❑ Many large companies that “self-insure” purchase reinsurance to protect themselves against catastrophic health care claims.



# What is Reinsurance? (Cont.)

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- ❑ In addition, 21 states operate some form of a reinsurance program.
- ❑ Some of the state programs are subsidized with state or federal funding.
- ❑ Reinsurance programs can also be structured to offer families catastrophic coverage to prevent bankruptcy in the case of unexpected health events.





# How Does Reinsurance Work?

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- ❑ Reinsurance stabilizes and/or reduces health insurance premiums by spreading the risk of catastrophic health care costs across a larger pool.
- ❑ If no one insurer is at risk for very high claims, each may feel less need to build high reserves and surpluses into premiums.
- ❑ In addition, reinsurance reduces administrative costs for insurance companies by simplifying the underwriting process. This savings can then be passed on to customers in the form of lower premiums.



# How Does Reinsurance Work? (Cont.)

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- ❑ Reinsurance also helps increase the number of people that can afford primary insurance by reducing the incentive for insurance companies to select only low-risk individuals.
- ❑ If state government serves as the “reinsurer” and assumes some or all of the catastrophic claim risk, premiums may be reduced even further.
- ❑ Premiums can be driven even lower if the statewide pool is subsidized with state or federal funds.

# Reinsurance in Action – *Healthy New York*

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- ❑ The most prominent example of an existing reinsurance program is *Healthy New York*.
- ❑ Reimburses insurers for 90% of claims paid between \$5,000 and \$75,000 on one policy.
- ❑ This reduces premiums for individuals by over 50% and businesses up to 30% since 2001.
- ❑ The *Healthy New York* product constitutes comprehensive health insurance through a partnership between HMO's and the state's reinsurance program.



# Moving Forward on Healthy Wisconsin

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- Established the Healthy Wisconsin Council
  - Design a reinsurance product for Wisconsin that will meet the goals stated earlier.
  - Explore ways to maximize federal funding.
  - Get input from businesses (small and large), health care providers, insurance companies.
  - Deliver a plan to the Governor by December 1, 2006.
  - Implement new program in 2007

# Discussion and Questions

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